

OneAscent Market Update: Q4 2023

October 17th, 2023

Today's Speakers



Cole Pearson

- President, Investment Solutions
- CFA Level III Candidate
- Previously a Senior Investment Associate for Eventide Asset Management
- B.A., International Finance, University of Alabama



Nathan Willis
CFA, CAIA

- Director of Portfolio Strategy
- Previously CIO of Greenhawk Corporation, a family investment office
- 25+ years of investing experience
- B.S., Taylor University

Please submit your questions to:

info@oneascent.com

You invest because you're called to...

- *provide for your family*
- *educate your children*
- *give generously*
- *prepare for the future*
- *respond to the unexpected*
- *prioritize what matters most*

Your values inspire *why* you invest.

They can also inspire *how* you invest.



Business impacts the world in
powerful ways.

Investors should consider *who* a business
impacts and *how* they are impacted.

We assess how a company interacts with every single person and every square inch.

PEOPLE
Every Single Person



PLACES
Every Square Inch

Our Approach to Values-Based Investing

Eliminate

companies whose products or practices cause harm

Evaluate

companies to identify those that meet our investment objectives

Elevate

companies that make the world a better place

Eliminate companies whose products or practices cause harm

We seek to avoid profiting from companies whose principal business activities and practices include:

- ✗ Abortion
- ✗ Pornography
- ✗ Adult entertainment
- ✗ Tobacco
- ✗ Gambling
- ✗ Human rights violations
- ✗ Predatory lending
- ✗ Alcohol
- ✗ Cannabis
- ✗ Severe ethics controversies

Reference to OneAscent's values-based investing approach is provided for illustrative purposes only and indicates a general framework of guiding principles that inform OneAscent's overall research process.

OneAscent's judgment about the quality, alignment, or impact of a particular company may prove to be incorrect. There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses.

Elevate companies that make the world a better place

We believe that businesses do well by doing good. Therefore, we seek to identify companies that elevate:

- Flourishing families
- Sanctity of life
- Quality healthcare
- Education access
- Dignifying vocations
- Economic advancement
- Environmental stewardship
- Affordable housing
- Viewpoint diversity
- Equal opportunity
- Thriving communities
- Fair labor

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Allocation Committee Update & Outlook Q4 2023

Nathan Willis, CFA, CAIA
Director of Portfolio Strategy
OneAscent Investments

Fourth Quarter 2023 market discussion

- Review of markets in Q3
- Navigator process and investment outlook
- “What actions should I take in my portfolio?”

Q3 returns

Market Returns Ending 9/30/2023			
Category	3Q	YTD	1 Year
US Stocks			
S&P 500	-3.3%	17.8%	21.6%
Russell Mid Cap	-4.7%	5.3%	13.4%
Russell 2000 Index	-5.1%	3.4%	8.9%
International Stocks			
MSCI EAFE	-4.0%	10.3%	26.4%
MSCI Emerging Markets	-2.9%	2.8%	12.1%
Bonds			
Bloomberg Aggregate Bond	-3.2%	-1.6%	0.6%
Bloomberg US High Yield Bond	0.5%	7.9%	10.3%

Source: Bloomberg

Category	3Q	YTD	1 Year
Russell 3000 Growth	-3.3%	33.0%	26.6%
Russell 3000 Value	-3.2%	2.2%	14.0%

Source: Bloomberg

- Stocks pulled back across US and international markets
- High quality bonds lagged
 - Federal Reserve
 - Sticky inflation
- The decline was broad; growth and value both suffered

Sector leadership shifted

Sector Returns Ending 9/30/2023			
Sector	3Q	YTD	1 Year
Communications	3.07%	40.43%	38.48%
Technology	-5.64%	34.72%	41.10%
Cons. Discretionary	-4.80%	26.58%	13.69%
Energy	12.22%	5.99%	30.09%
Industrial	-5.16%	4.50%	24.54%
Materials	-4.76%	2.61%	18.05%
Financial	-1.13%	-1.65%	11.68%
Healthcare	-2.65%	-4.09%	8.18%
Cons. Staples	-5.97%	-4.76%	7.35%
Real Estate	-8.90%	-5.51%	-1.90%
Utilities	-9.25%	-14.41%	-7.02%

Source: Bloomberg

- Energy led the way as the price of oil spiked
- Technology and consumer discretionary pulled back in the third quarter

Source: Bloomberg,

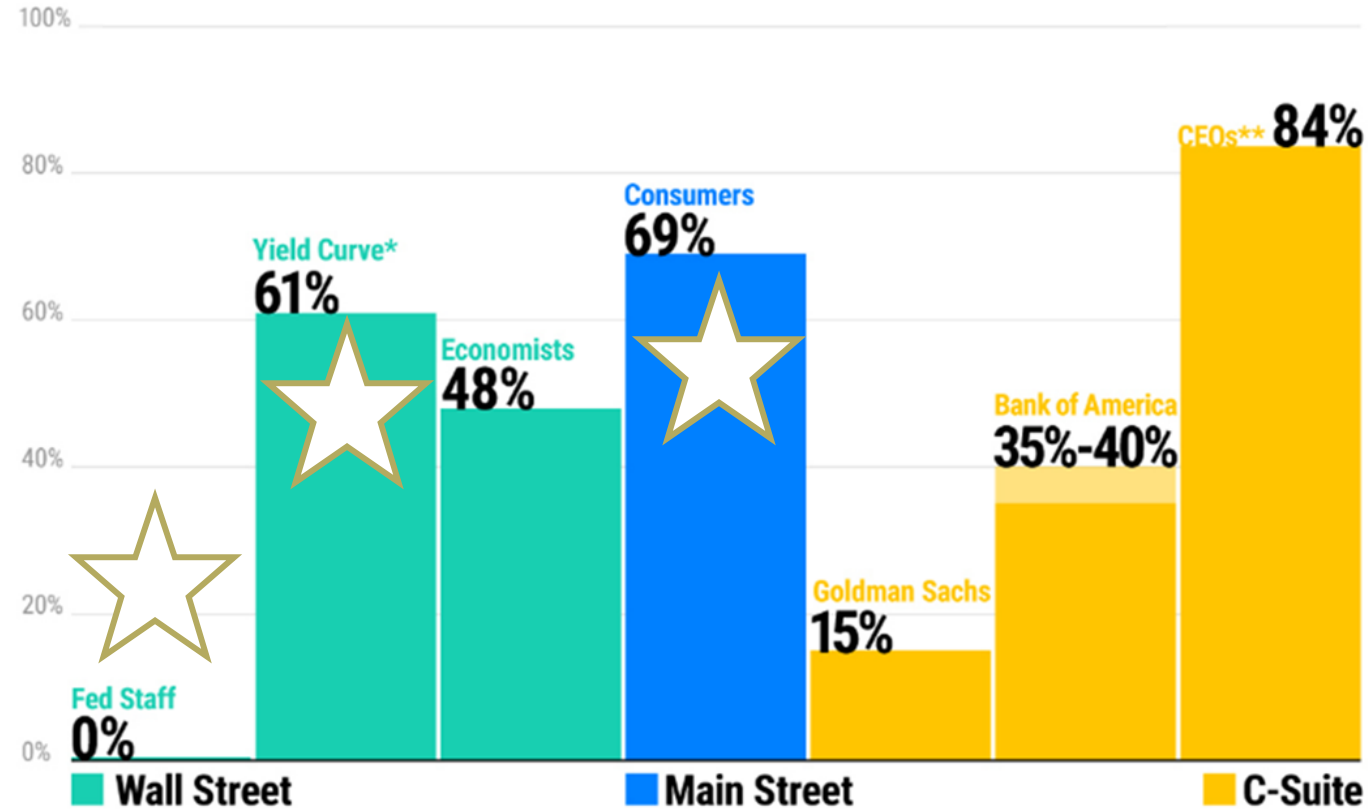
Peak Elite - Turnkey Model Performance (as of 9/30/2023)

Group/Investment	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	Inception	Inception Date
OneAscent Peak Moderate Elite	-3.93	-4.44	2.14	9.44	1.57	3.69	5.16	3/15/2017
Moderate Benchmark	-3.69	-3.65	3.80	10.64	2.16	3.43	4.62	

Source: OneAscent Investment Solutions. All model returns are net of fees. Index returns are gross of fees and provided by Morningstar Direct. An investor may not invest directly into an index. Please see important disclosures for additional information regarding OneAscent model performance.

Diverging opinions on the economy

Will the U.S. Get Hit With a Recession in 2024?



What is your decision-making framework?

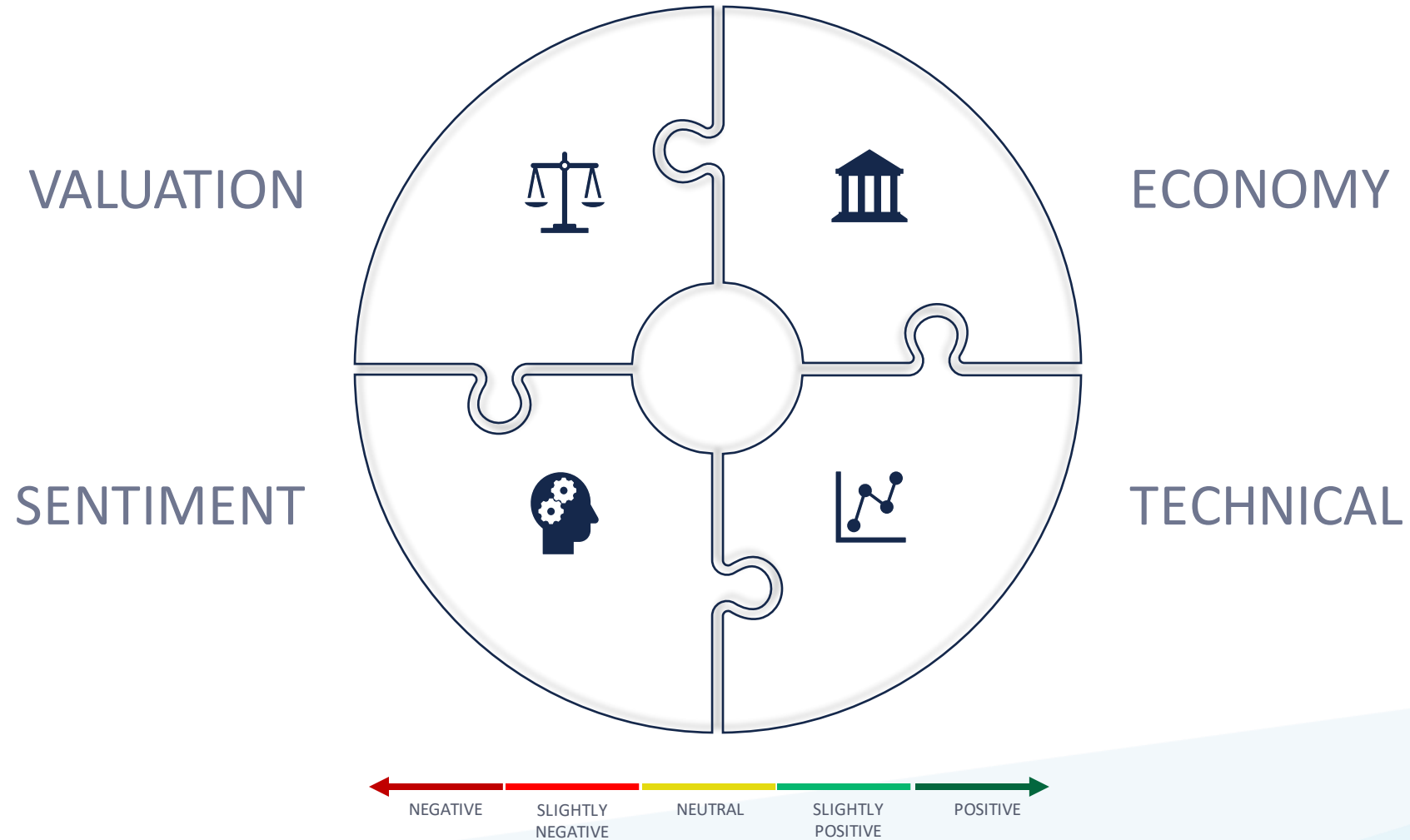
Source: Visual Capitalist: [Will the U.S. Get Hit With a Recession in 2024?](https://visualcapitalist.com/will-the-u-s-get-hit-with-a-recession-in-2024/) (visualcapitalist.com)

Sources: Federal Reserve Bank of New York, Wolters Kluwer, the Conference Board, Goldman Sachs Investment Research, Bank of America. Data based on surveys and projections conducted August – September

*Based on a New York Fed model estimating recession probabilities using 10-year minus 3-month Treasury yield spreads, based on data from 1959-2009

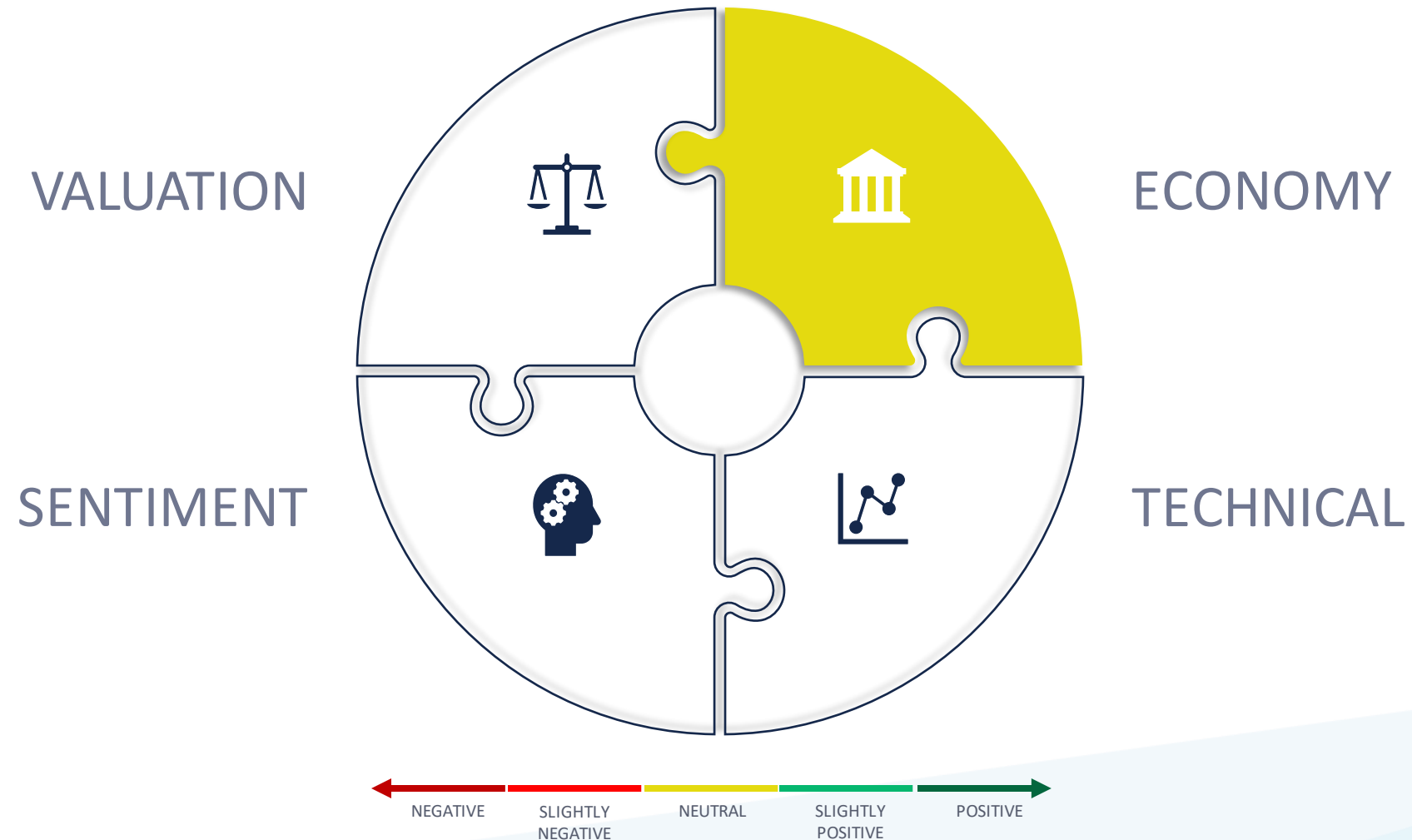
** Conference Board Q3 CEO Survey Probability of a recession over the next 12-18 months.

Navigator Outlook: October 2023



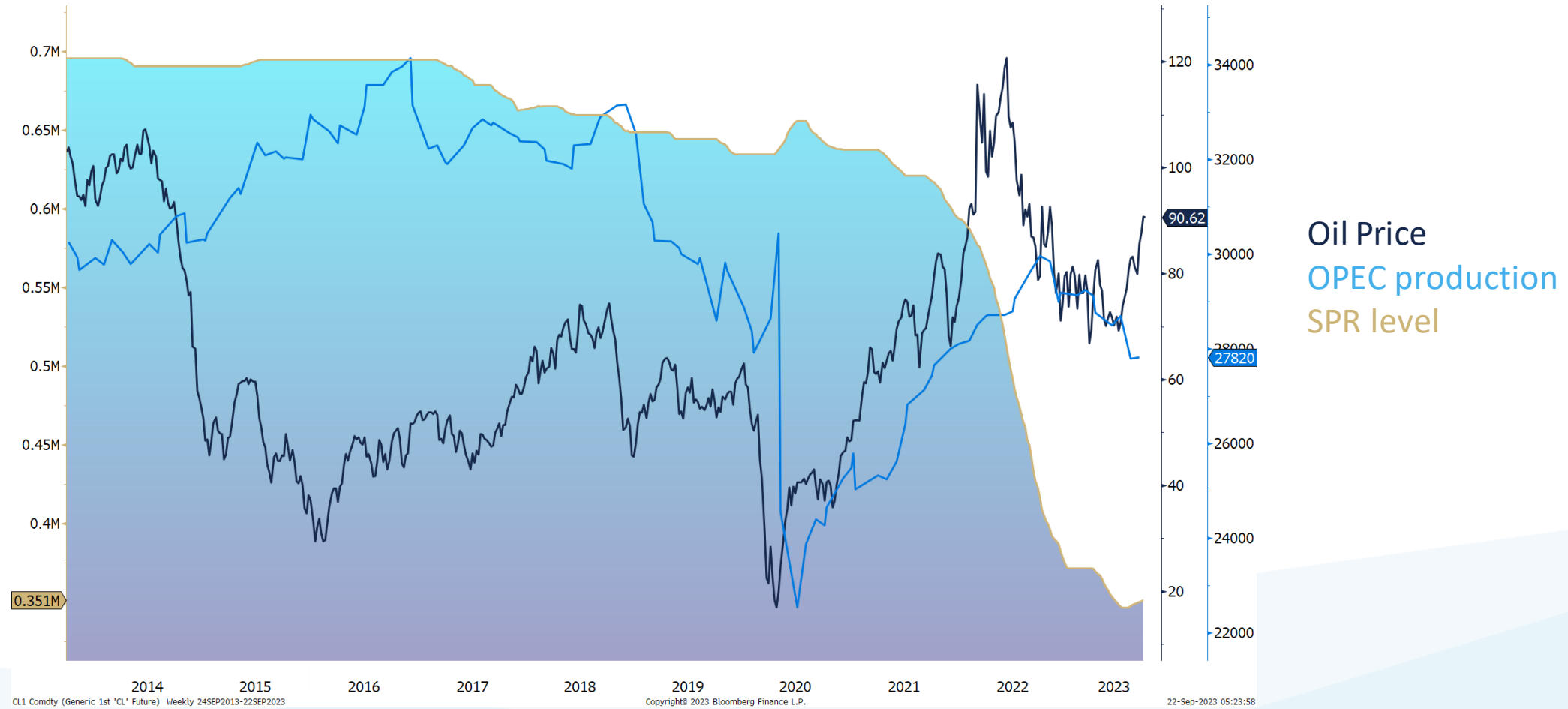
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Navigator Outlook: October 2023



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Depleted SPR and OPEC production cuts pressure oil prices - and inflation

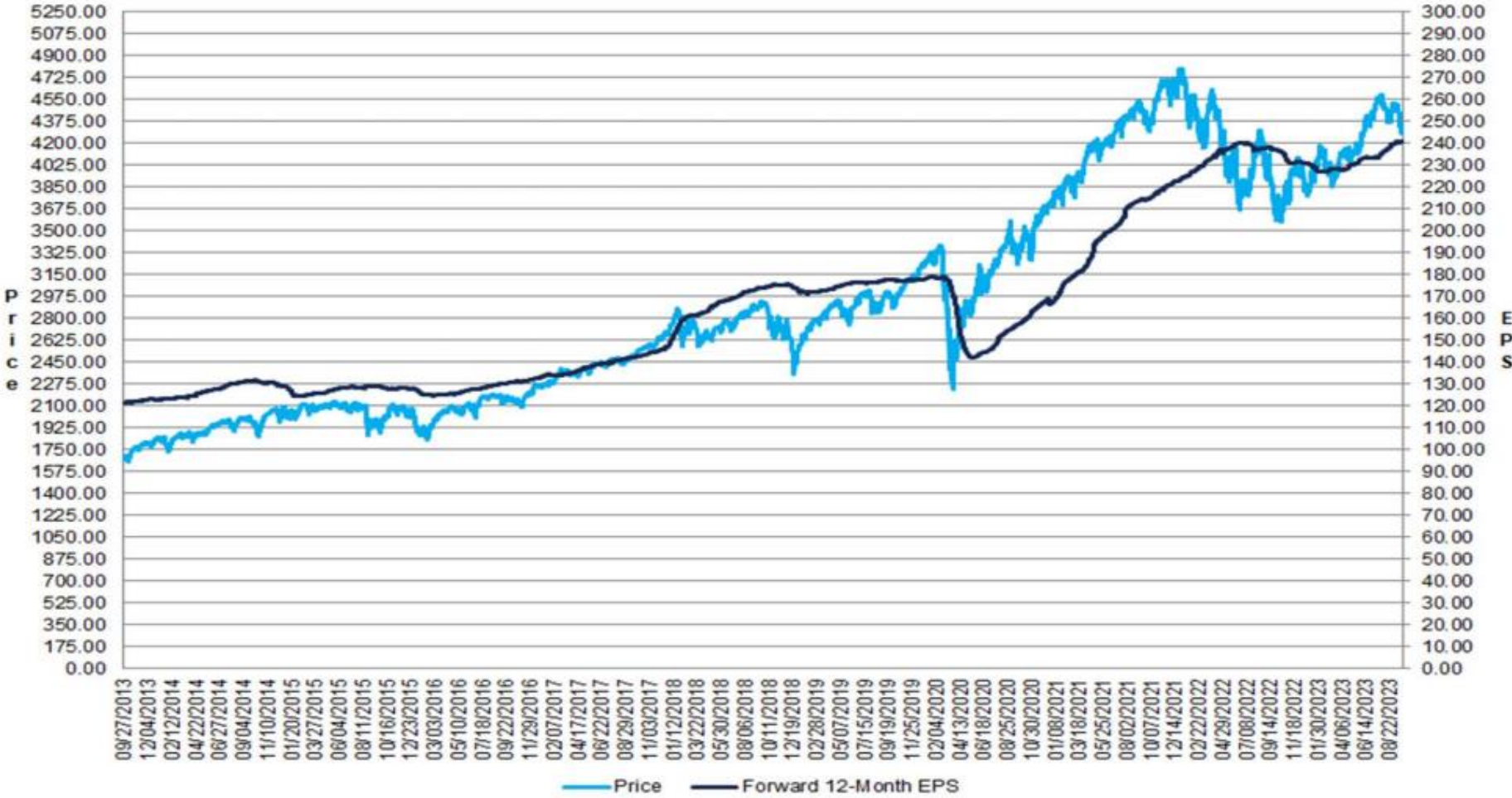


Source: Bloomberg

S&P 500 Earnings estimates continue modest improvement

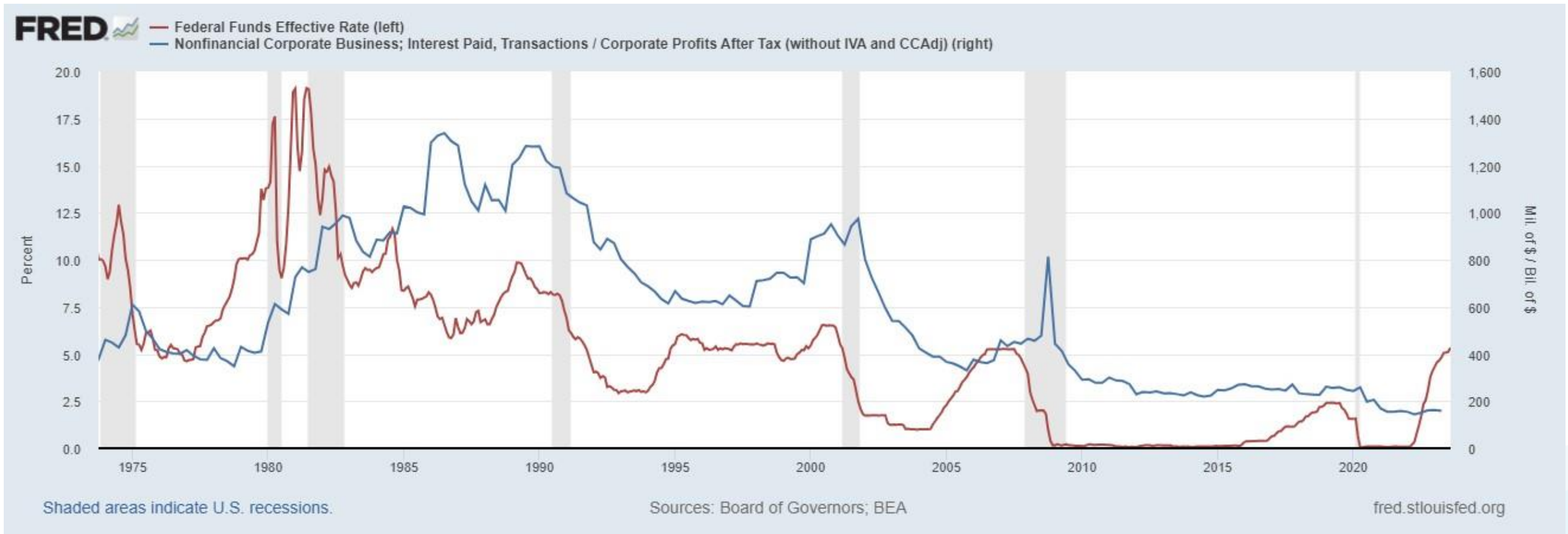


S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.
(Source: FactSet)



Source: FactSet

Increased interest expenses likely to pressure corporate profit margins

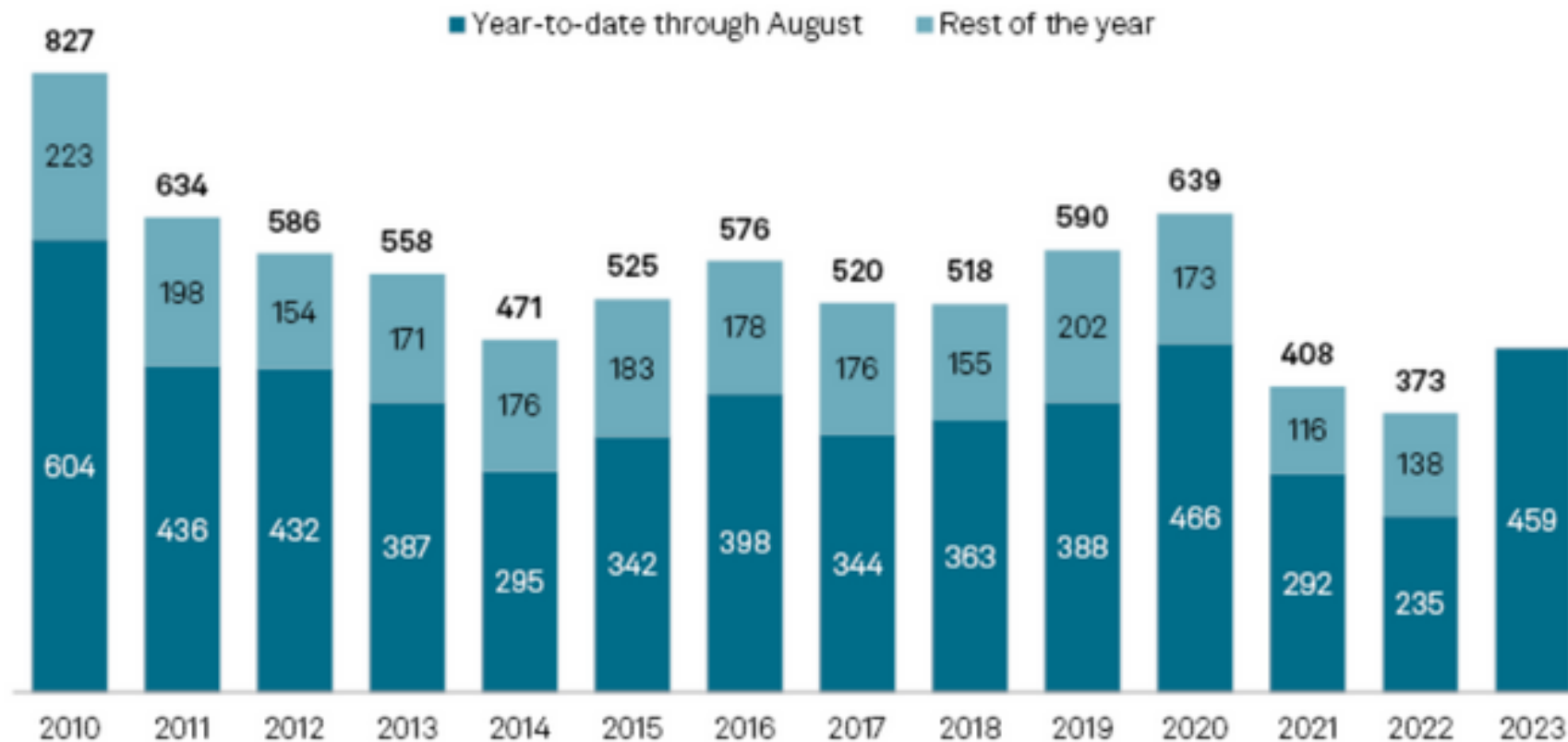


Interest payments typically increase as a percent of profits leading up to recession. Expect interest costs to increase in 2024, pressuring margins.

Increased bankruptcy filings suggest higher rates are slowing the economy



US bankruptcy filings by year



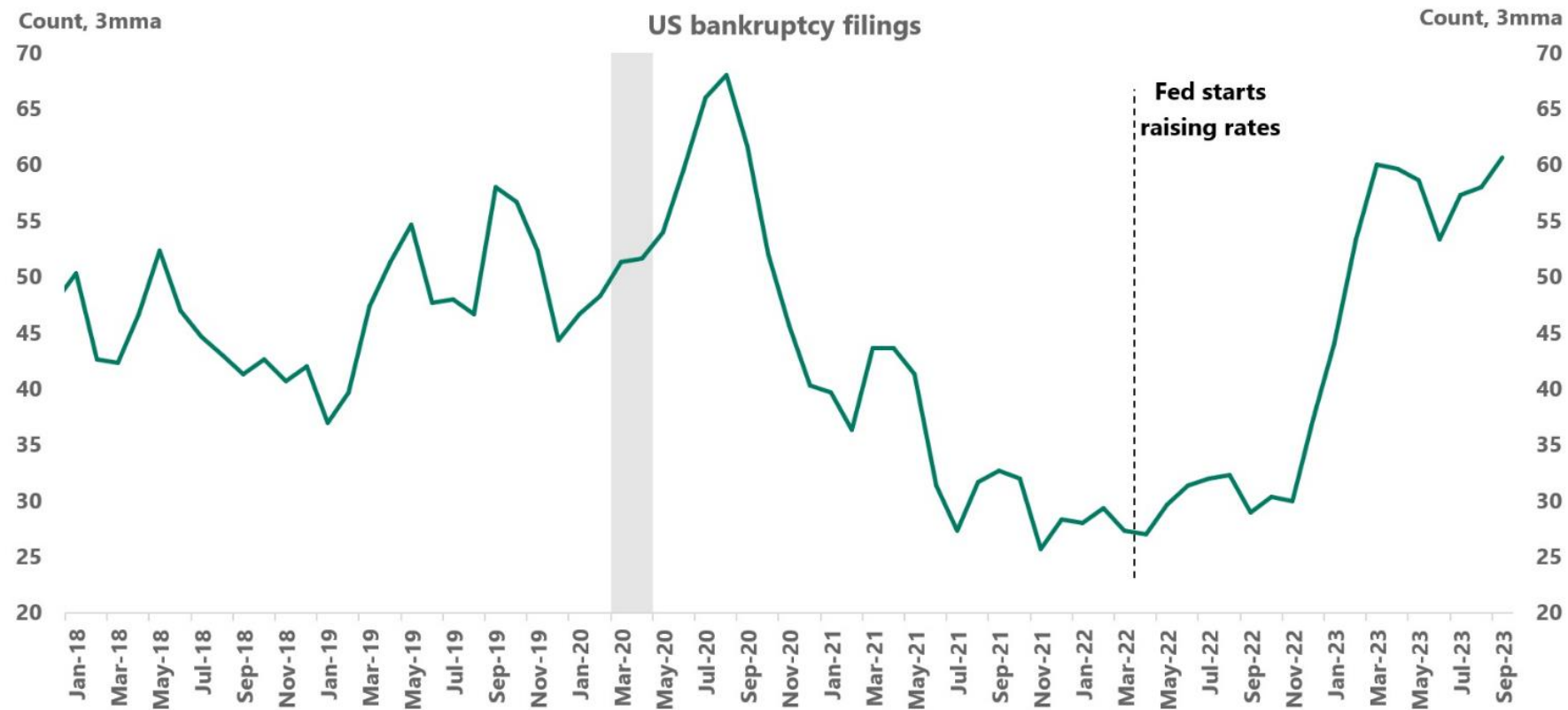
Source: MarketWatch, S&P Global Market Intelligence [More U.S. companies have gone bankrupt in 2023 so far than all of 2022 or 2021 - MarketWatch](#)

Higher interest rates are causing trouble for corporate borrowers



APOLLO

Fed hikes pushing bankruptcy filings higher



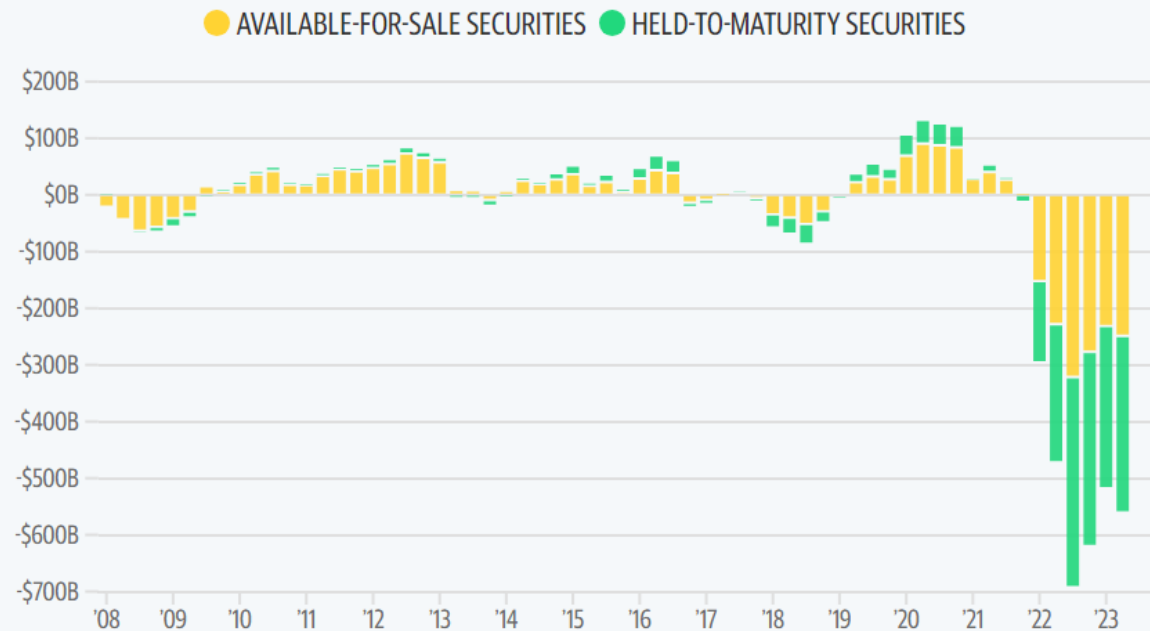
Source: Apollo Investments [Bankruptcies Rising Because of Fed Hikes - Apollo Academy](#)

Bank balance sheets don't allow for increased lending



U.S. BANK UNREALIZED SECURITIES LOSSES

High interest rates lower the value of bonds held by the country's banks.



SOURCES: FDIC DATA



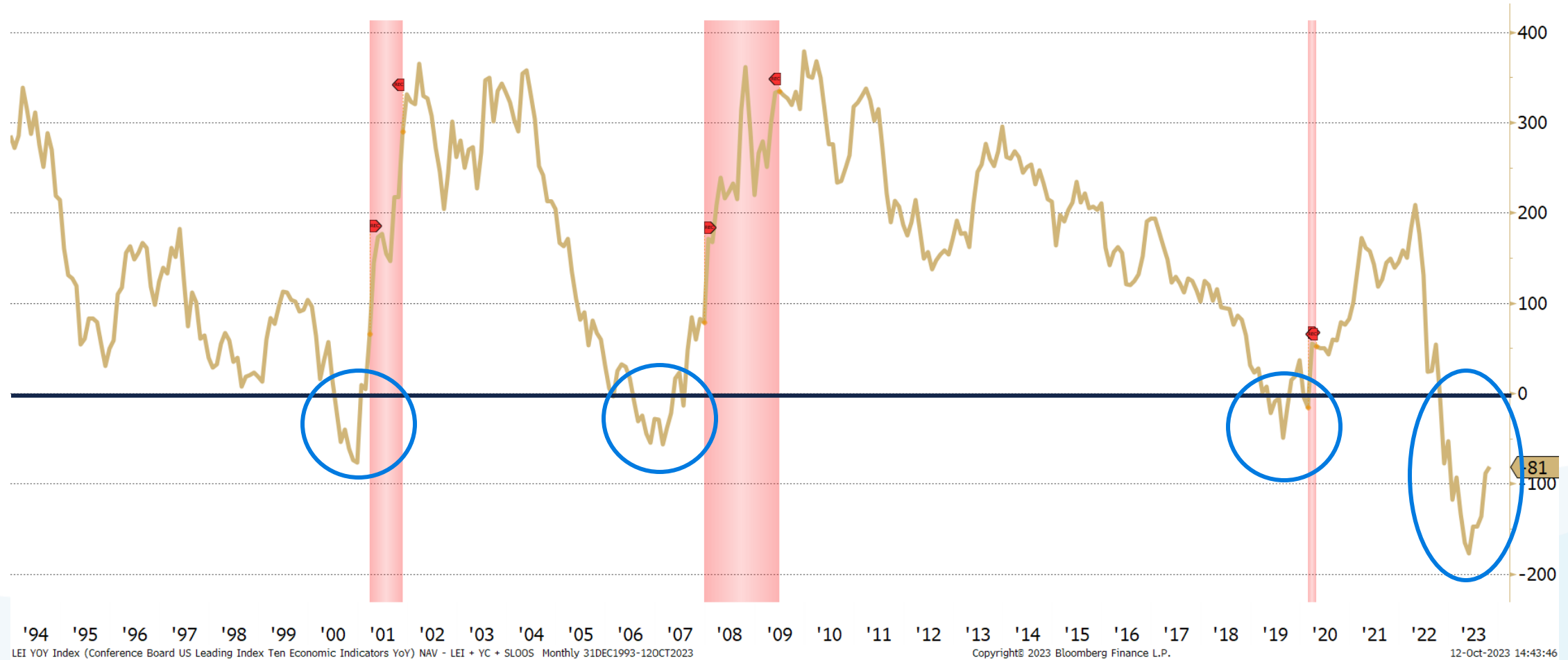
Source: Yahoo Finance [Banks need to prove how they can survive higher-for-longer rates \(yahoo.com\)](https://www.yahoo.com/news/banks-need-to-prove-how-they-can-survive-higher-for-longer-rates-123456789.html)

Do the markets say “recession”?

Yield Curve



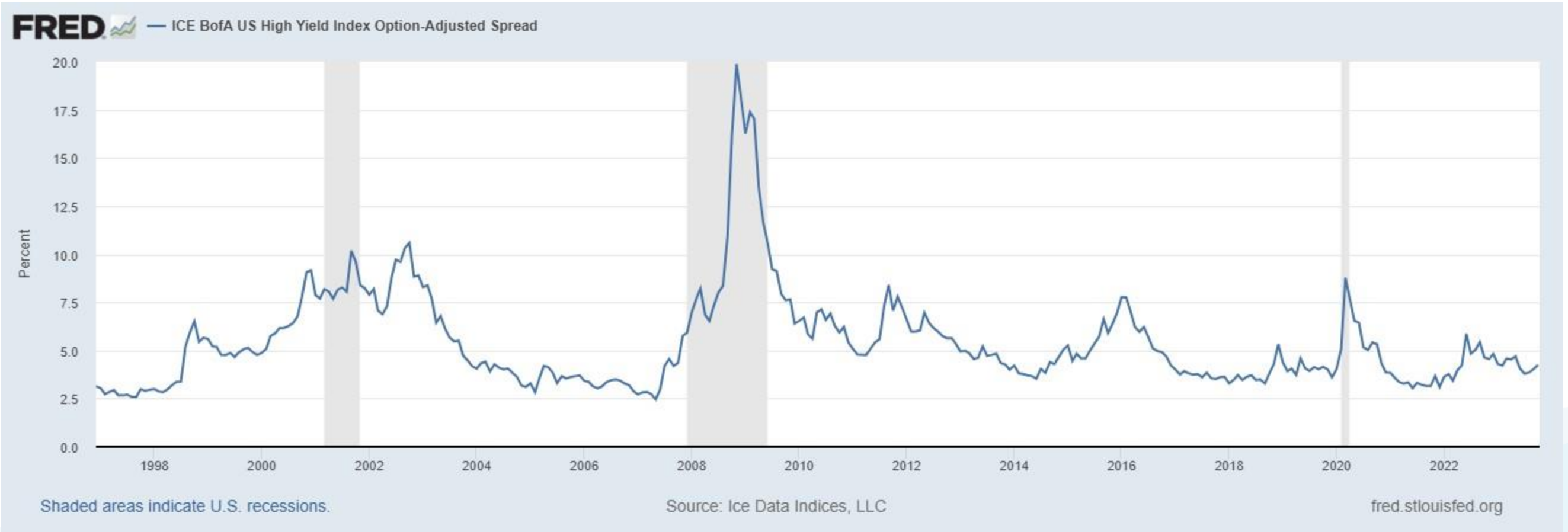
10-year yield minus 3-month yield



Source: Bloomberg

Do the markets say “recession”?

High yield spreads



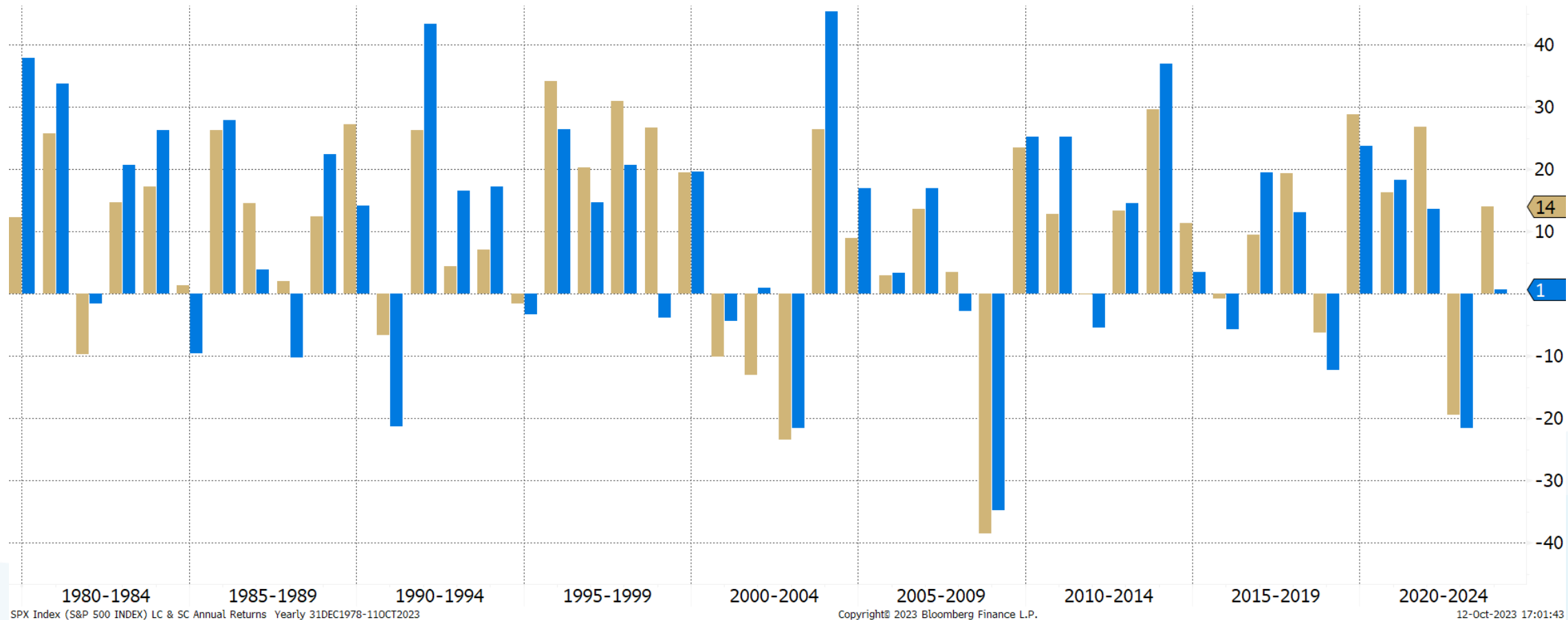
Source: Bloomberg

Do the markets say “recession”?

Small cap stocks



S&P 500 (large cap) calendar year return
Russell 2000 (small cap) calendar year return



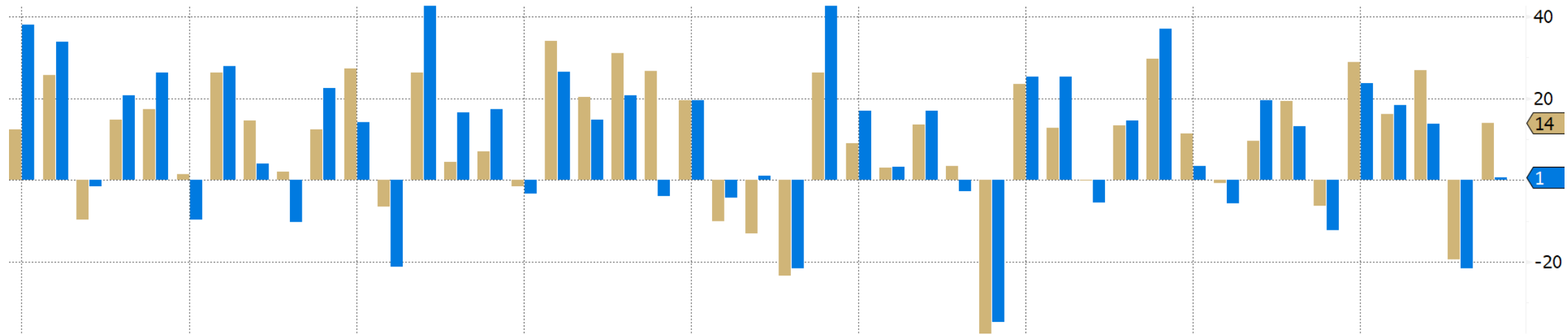
Source: Bloomberg

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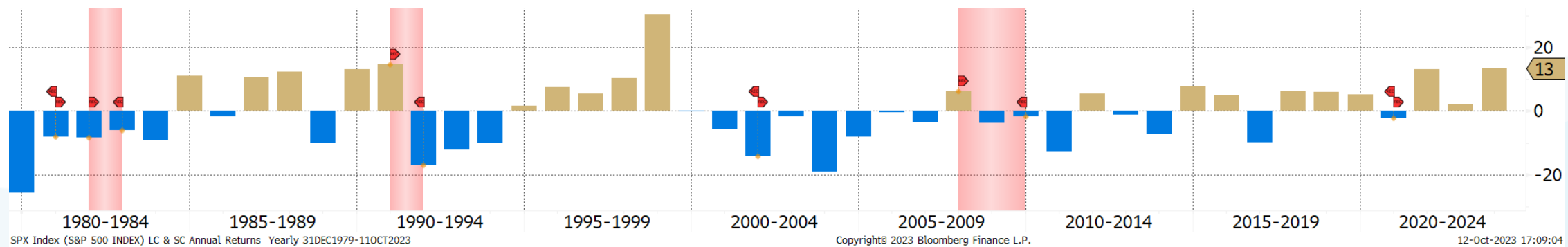
Small cap stocks



S&P 500 (large cap) calendar year return
 Russell 2000 (small cap) calendar year return



S&P 500 (large cap) calendar year return minus Russell 2000 (small cap) calendar year return



SPX Index (S&P 500 INDEX) LC & SC Annual Returns Yearly 31DEC1979-11OCT2023

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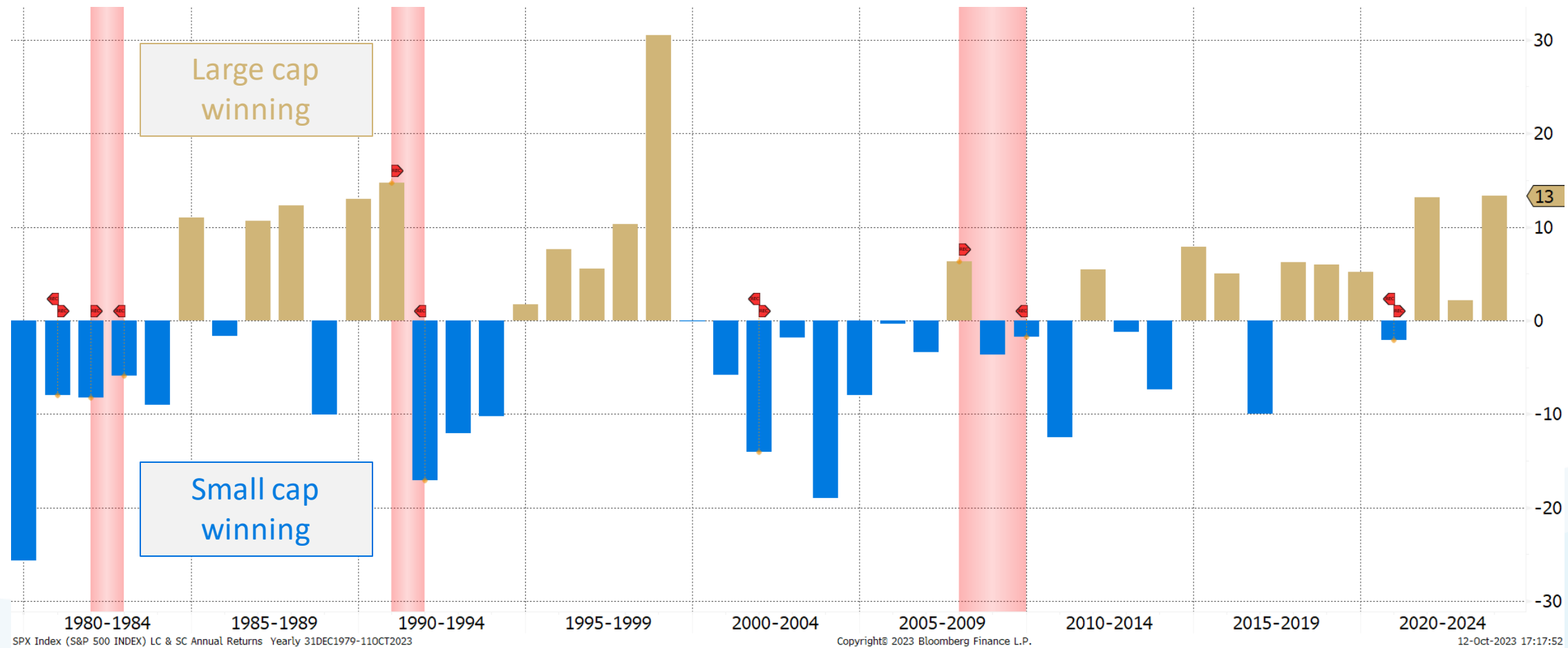
Source: Bloomberg

Do the markets say “recession”?

Small cap stocks



S&P 500 (large cap) calendar year return minus Russell 2000 (small cap) calendar year return



Source: Bloomberg, recessions highlighted in red

Do the markets say “recession”?

Consumer expectations



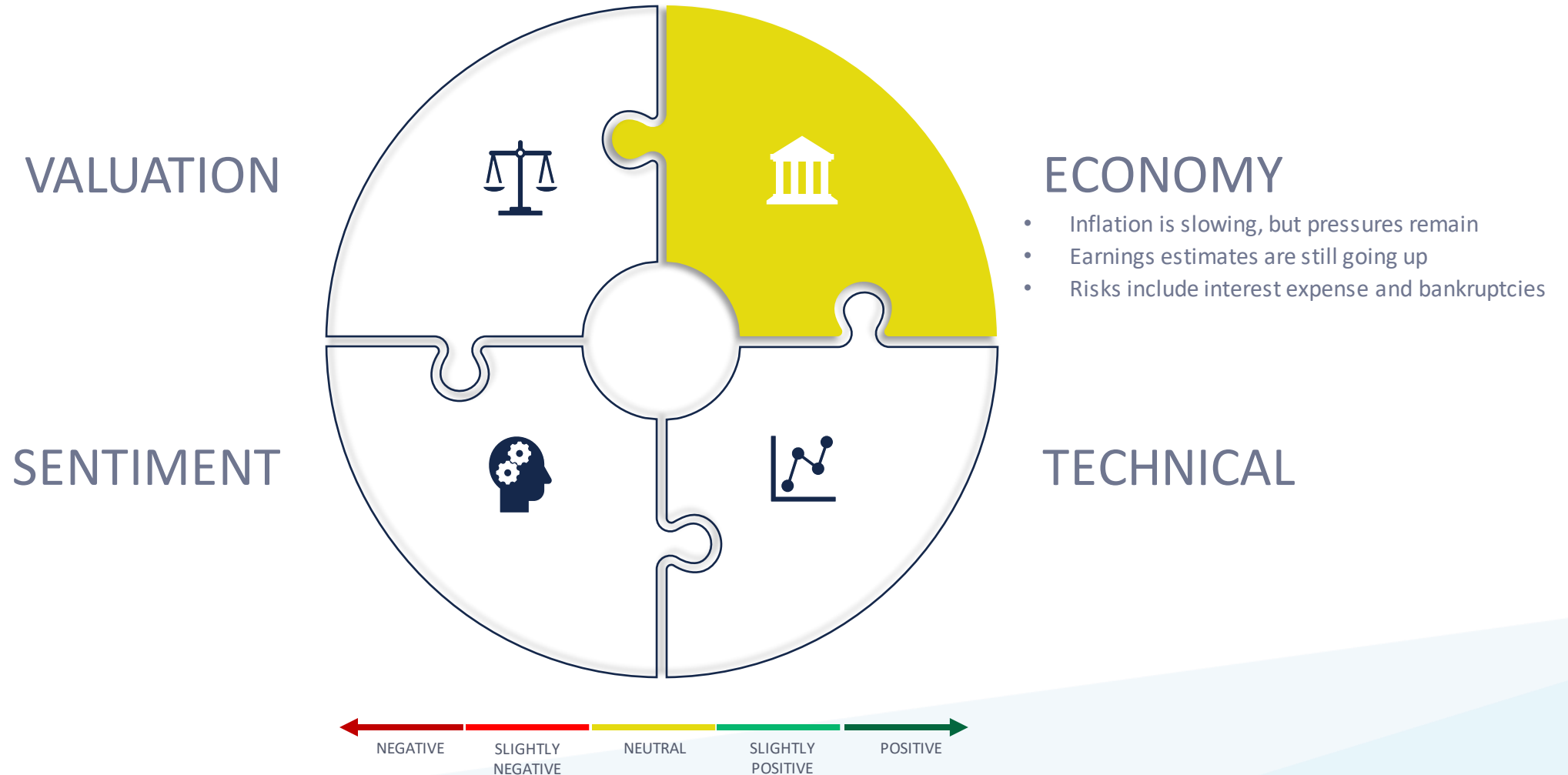
Perceived likelihood of a US recession over the next 12 months
"Somewhat + Very Likely" (Percent)



Source: The Conference Board, Consumer Confidence Survey®

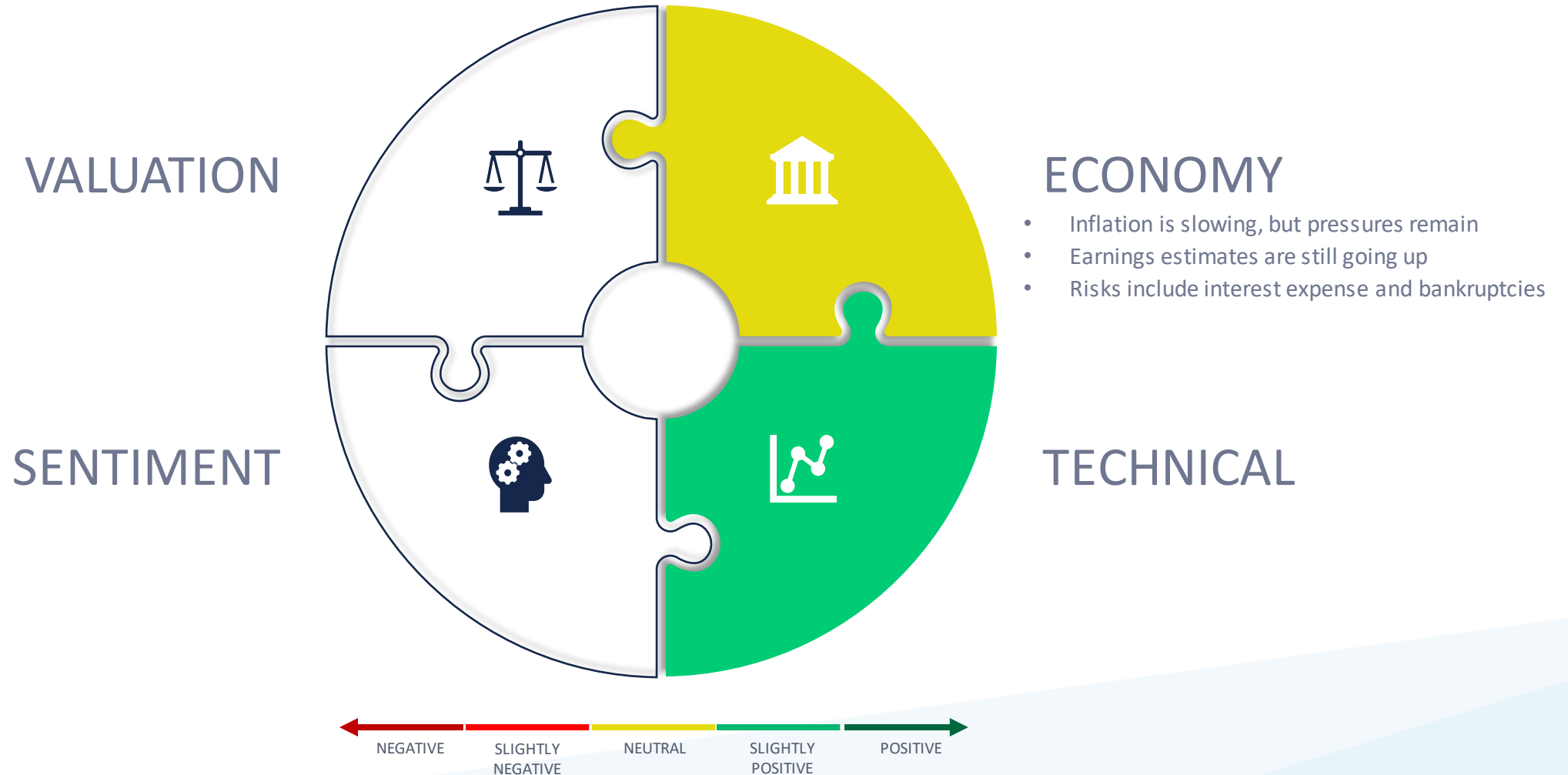
Source: [US Consumer Confidence \(conference-board.org\)](https://www.conference-board.org/data/consumer-confidence/)

Navigator Outlook: October 2023



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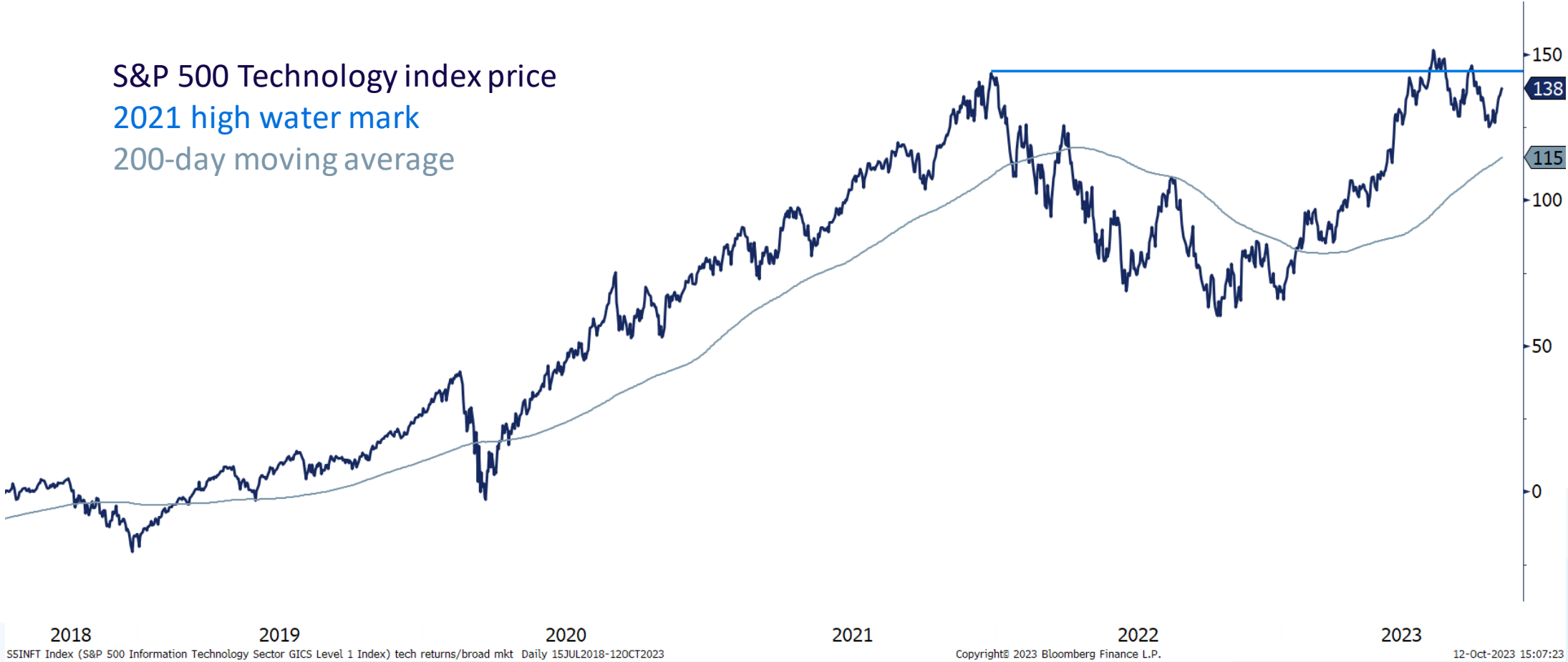
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Tech stocks have not broken above 2021 highs, but have long-term support



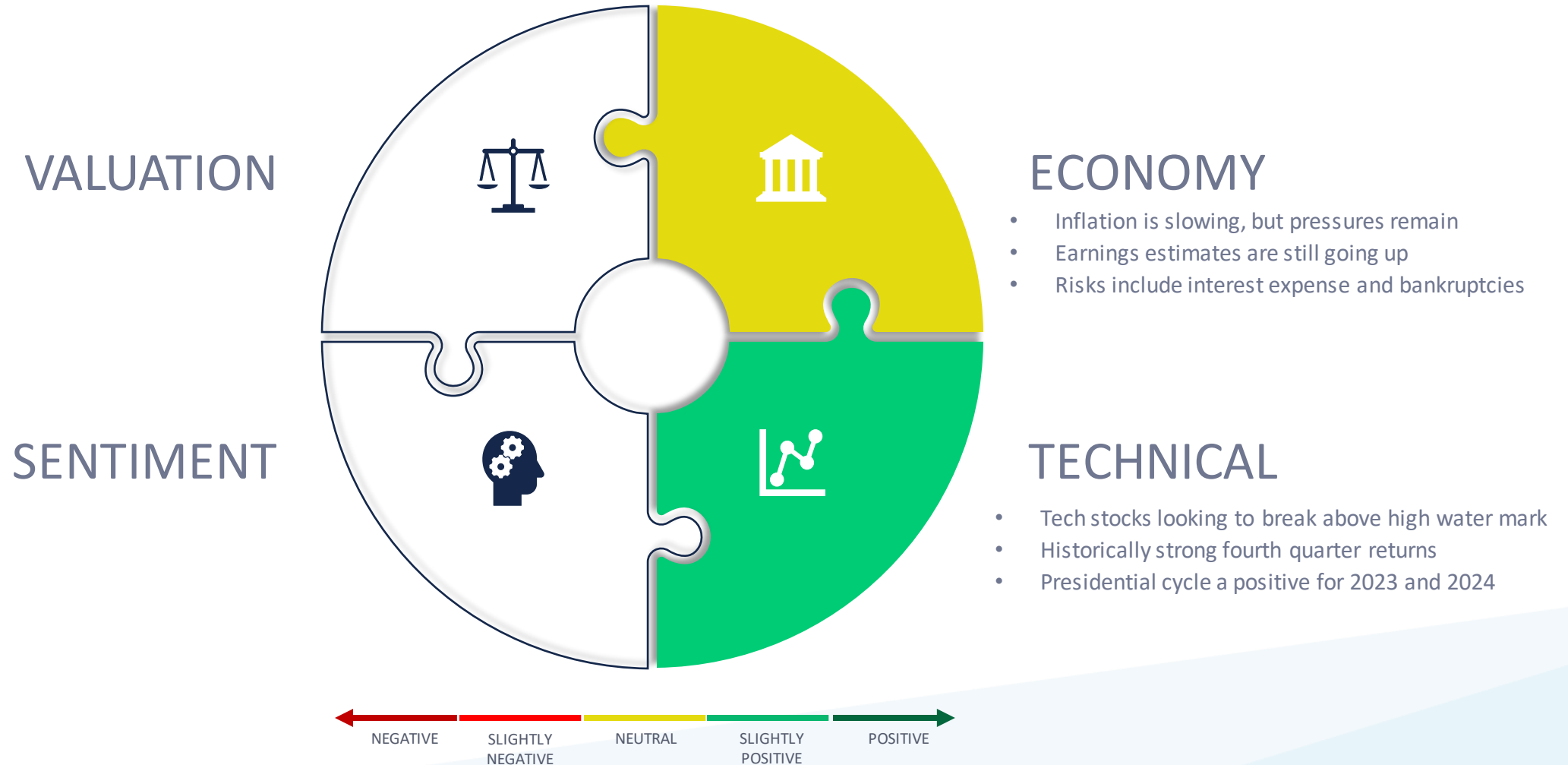
Source: Bloomberg Data

Fourth quarter has historically provided strong stock market returns



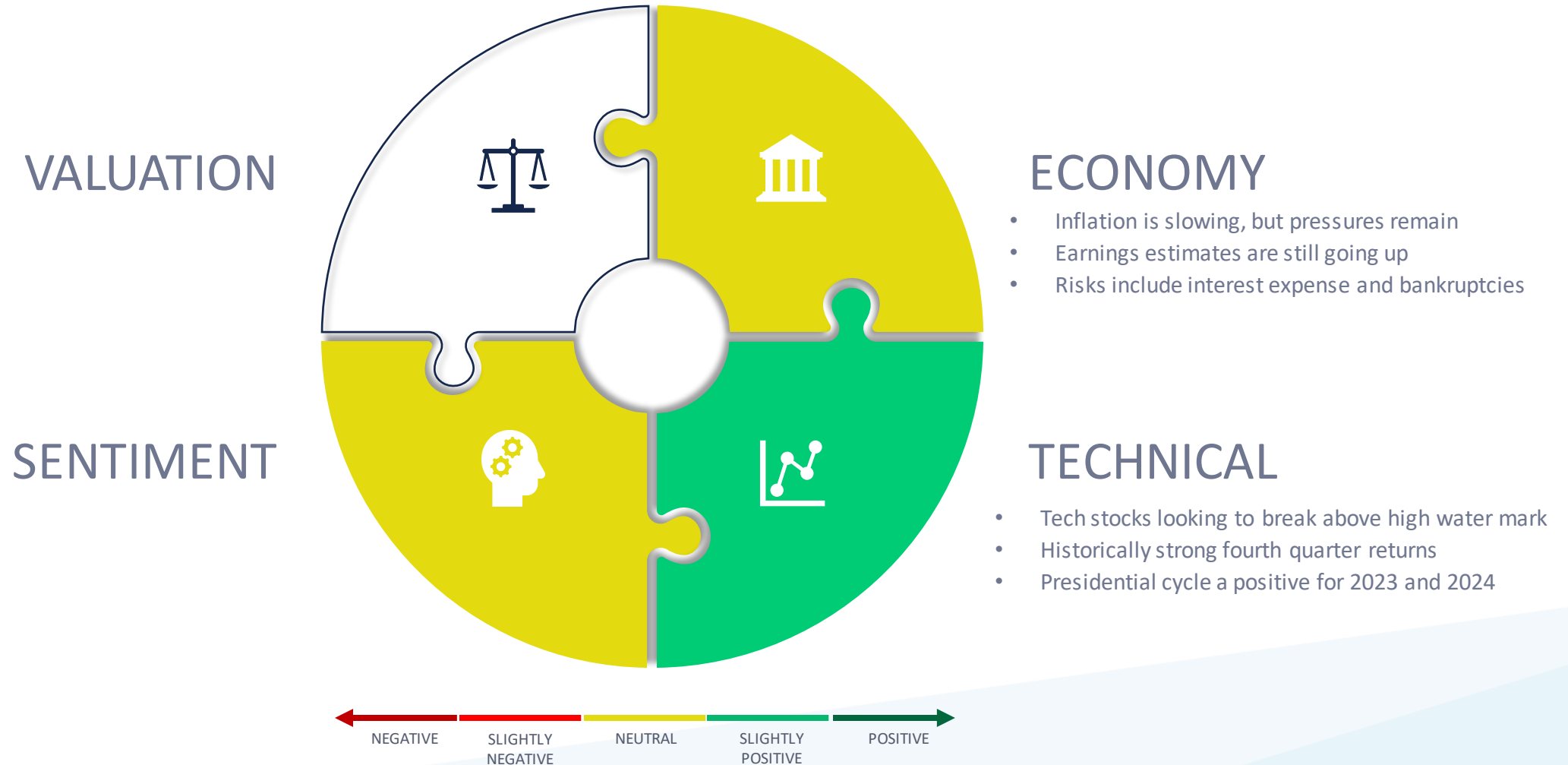
Source: Bloomberg Data. Note: Advance/Decline line is the Bloomberg Cumulative Advance/Decline line for NYSE stocks

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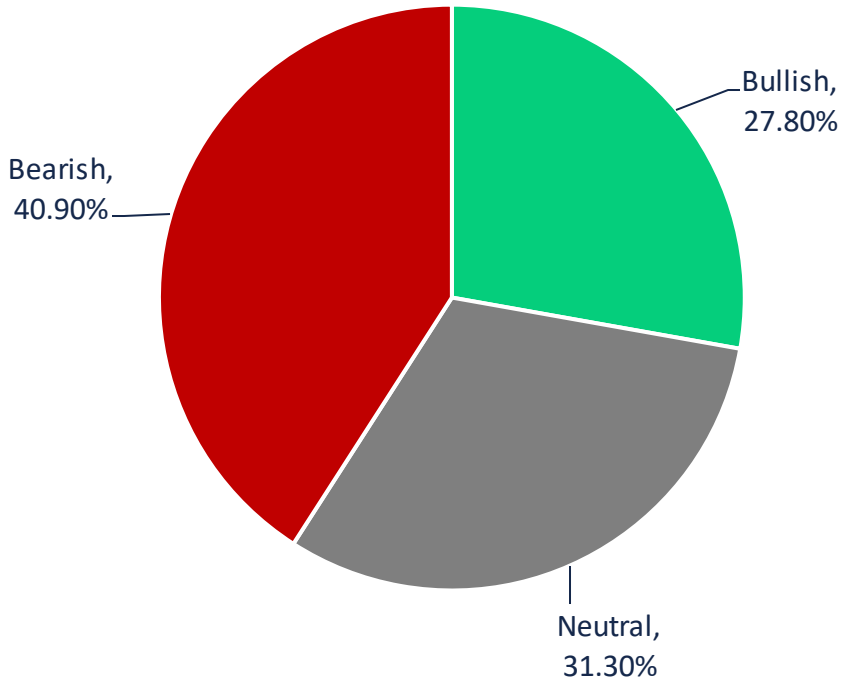


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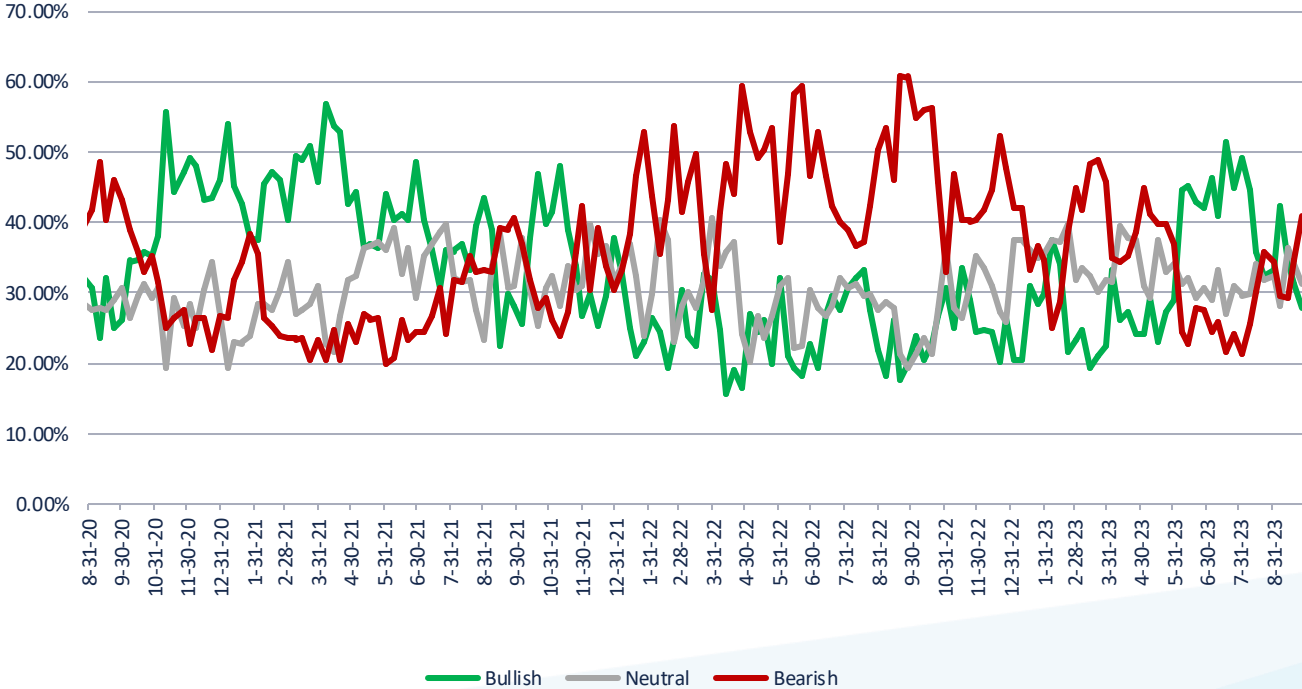


Investor sentiment is the least bullish it has been since May

AAll Sentiment Survey 9/27/2023



AAll INVESTOR SENTIMENT



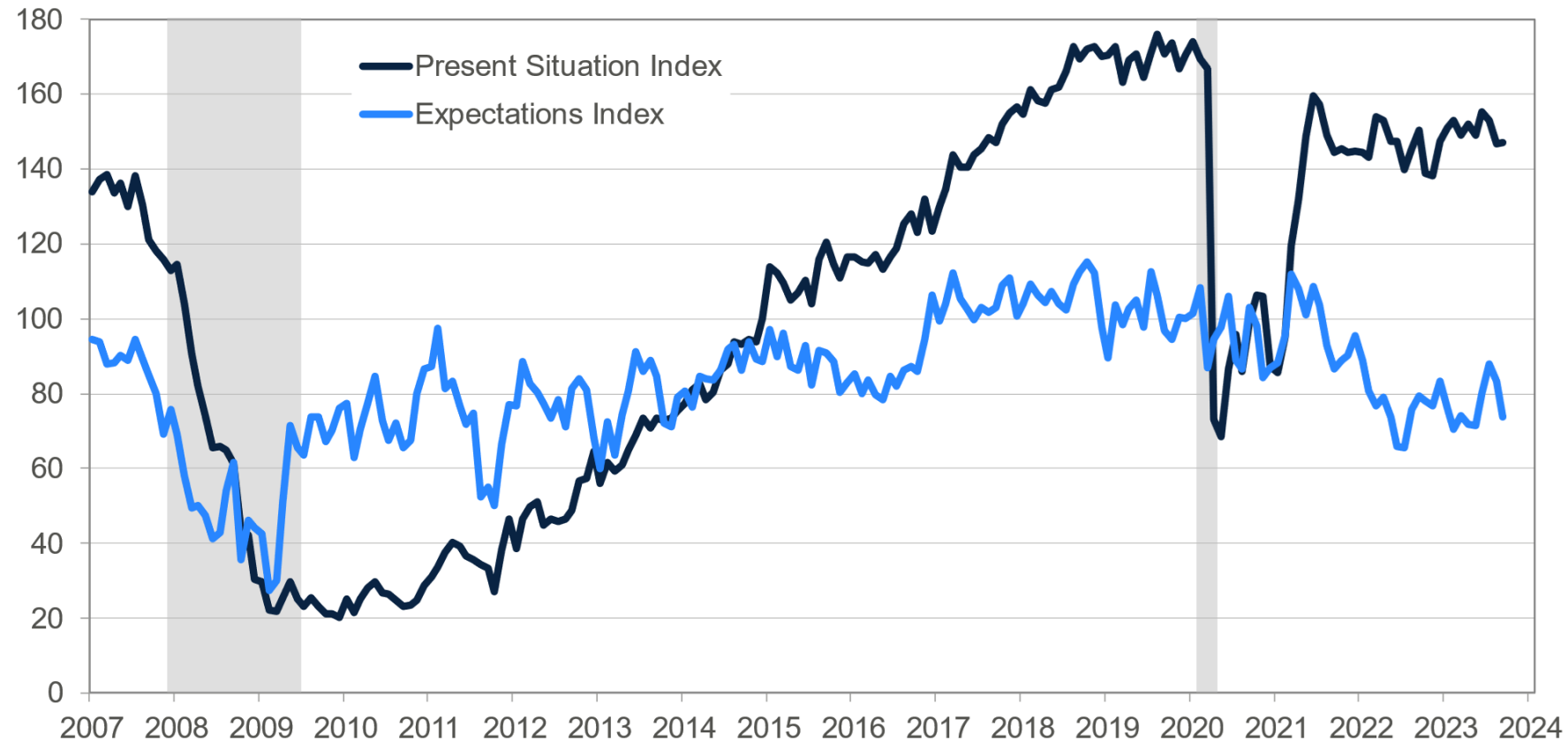
Source: Bloomberg Data. Note: Advance/Decline line is the Bloomberg Cumulative Advance/Decline line for NYSE stocks

Consumer sentiment remains strained



Present Situation and Expectations Index

Index, 1985 = 100



*Shaded areas represent periods of recession.
Sources: The Conference Board; NBER
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Navigator Outlook: October 2023

VALUATION



ECONOMY

- Inflation is slowing, but pressures remain
- Earnings estimates are still going up
- Risks include interest expense and bankruptcies

SENTIMENT



TECHNICAL

- Tech stocks looking to break above high water mark
- Historically strong fourth quarter returns
- Presidential cycle a positive for 2023 and 2024

- Investor Sentiment has turned positive
- Consumer Sentiment remains negative



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Navigator Outlook: October 2023

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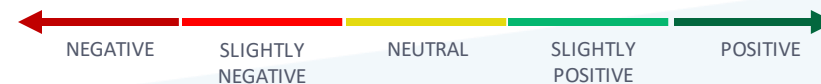
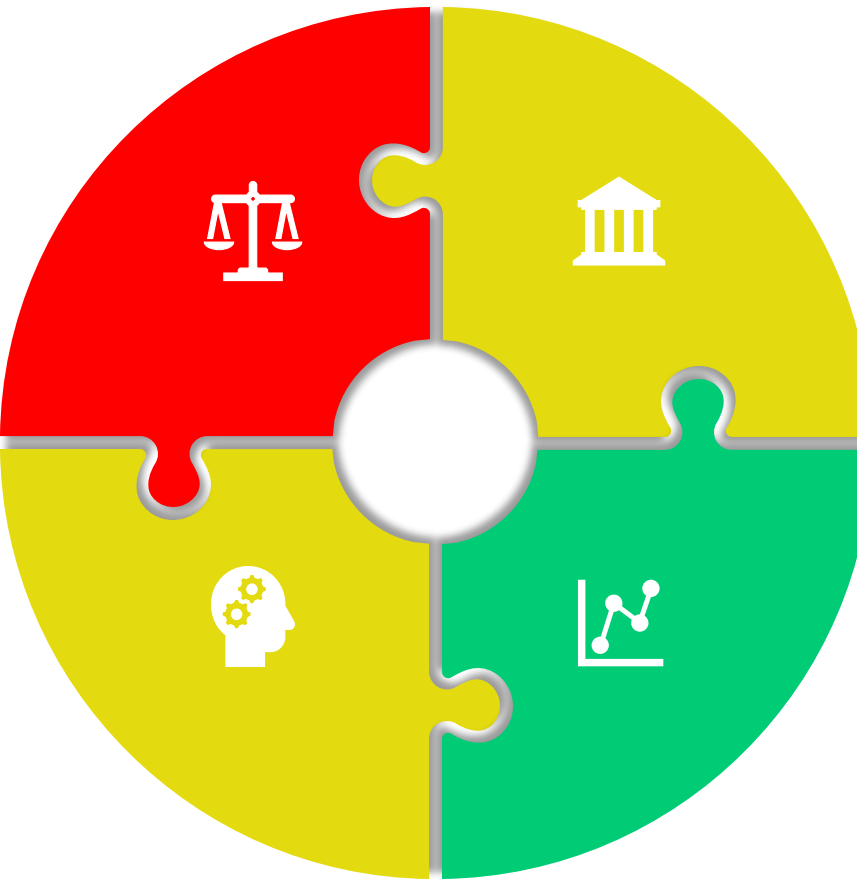
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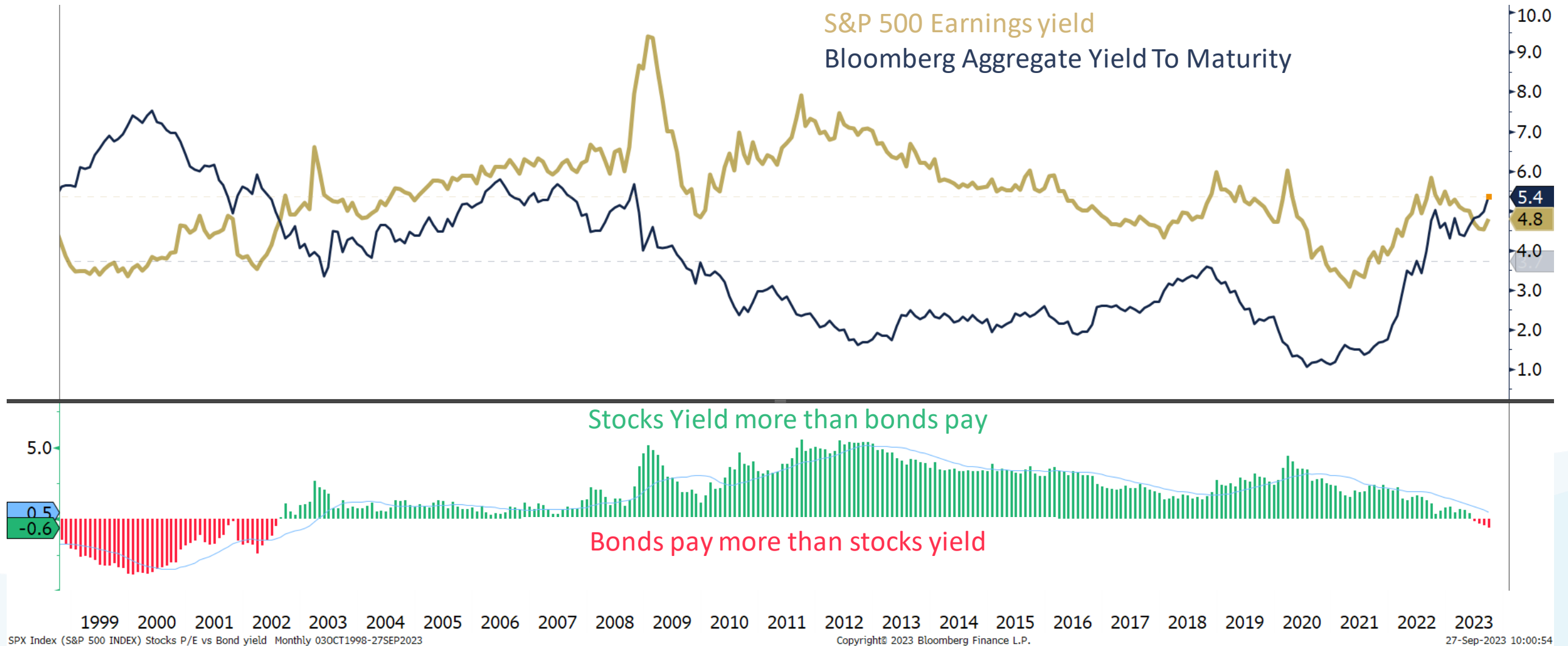
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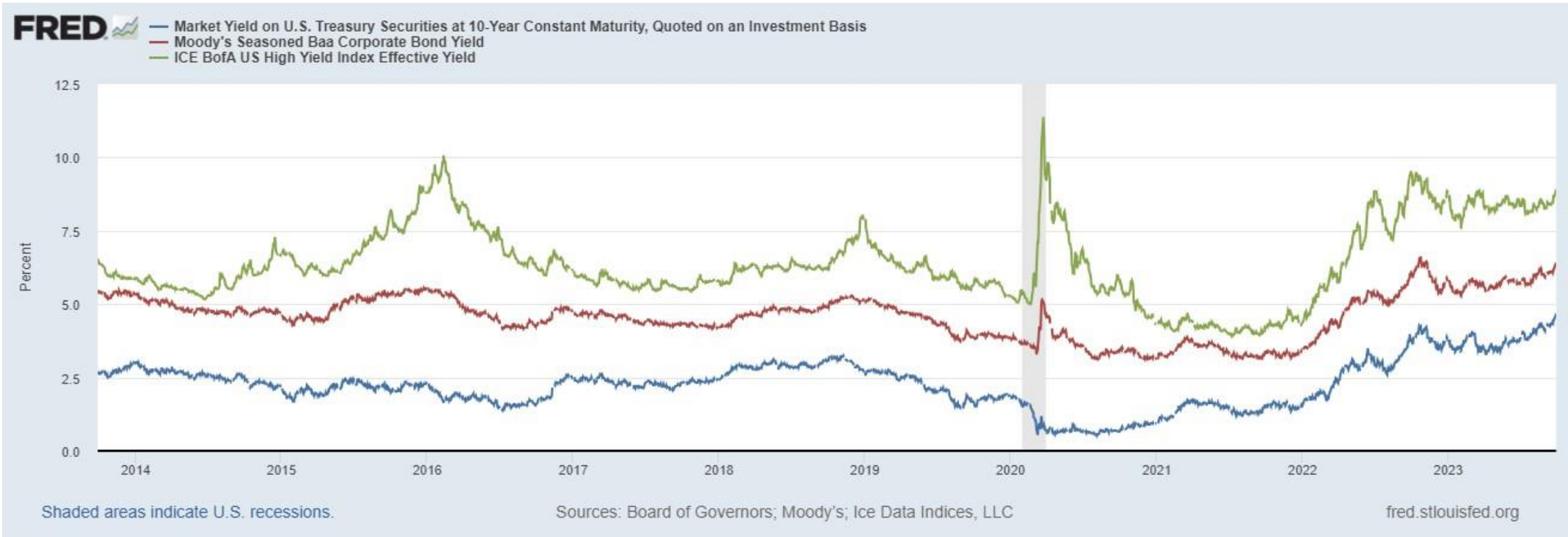


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Bond interest payments are greater than stock earnings, for the first time in 20 years



Treasury, corporate and high yield bonds all offer attractive yields



Tech valuations are at a premium; market is more attractive

the broad



S&P 500 Technology P/E ratio
S&P 500 P/E ratio
S&P 500 equal weight PE ratio



Source:: Bloomberg

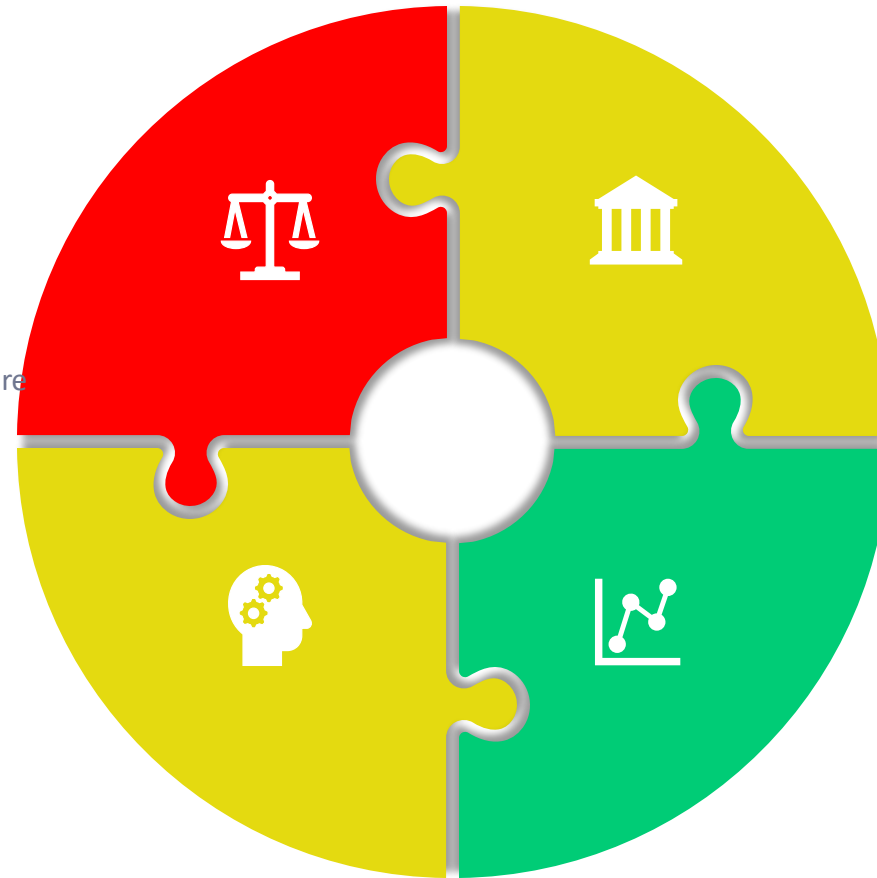
Navigator Outlook: October 2023

VALUATION

- Bonds are attractive relative to stocks
- Yields suggest strong returns across sectors
- Outside of large cap technology stocks, valuations are reasonable

SENTIMENT

- Investor Sentiment has turned positive
- Consumer Sentiment remains negative

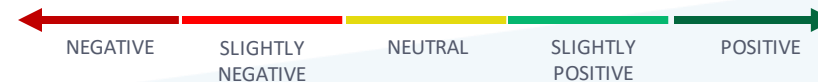


ECONOMY

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TECHNICAL

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Navigating through a wide range of possibilities

Positives	Negatives
Economic data points to a soft landing	Liquidity is shrinking – because of Fed actions and banking troubles.
Earnings are trending positively	High consumer and corporate Interest expense threatens to derail the economy
The medium to long term technical picture is still positive for stocks	Market breadth has worsened, and technology is struggling to make new highs
Investor sentiment is not overly bullish	High Interest rates are bearish for stocks
US Large Cap Stocks are expensive	Many assets are closer to fair value

Source: Bloomberg [Wall Street Forecasters, Blindsided by Tech Stock Rally, Divided on 2023 Outlook - Bloomberg](#)

Thinking about portfolio allocations

Don't follow the crowd

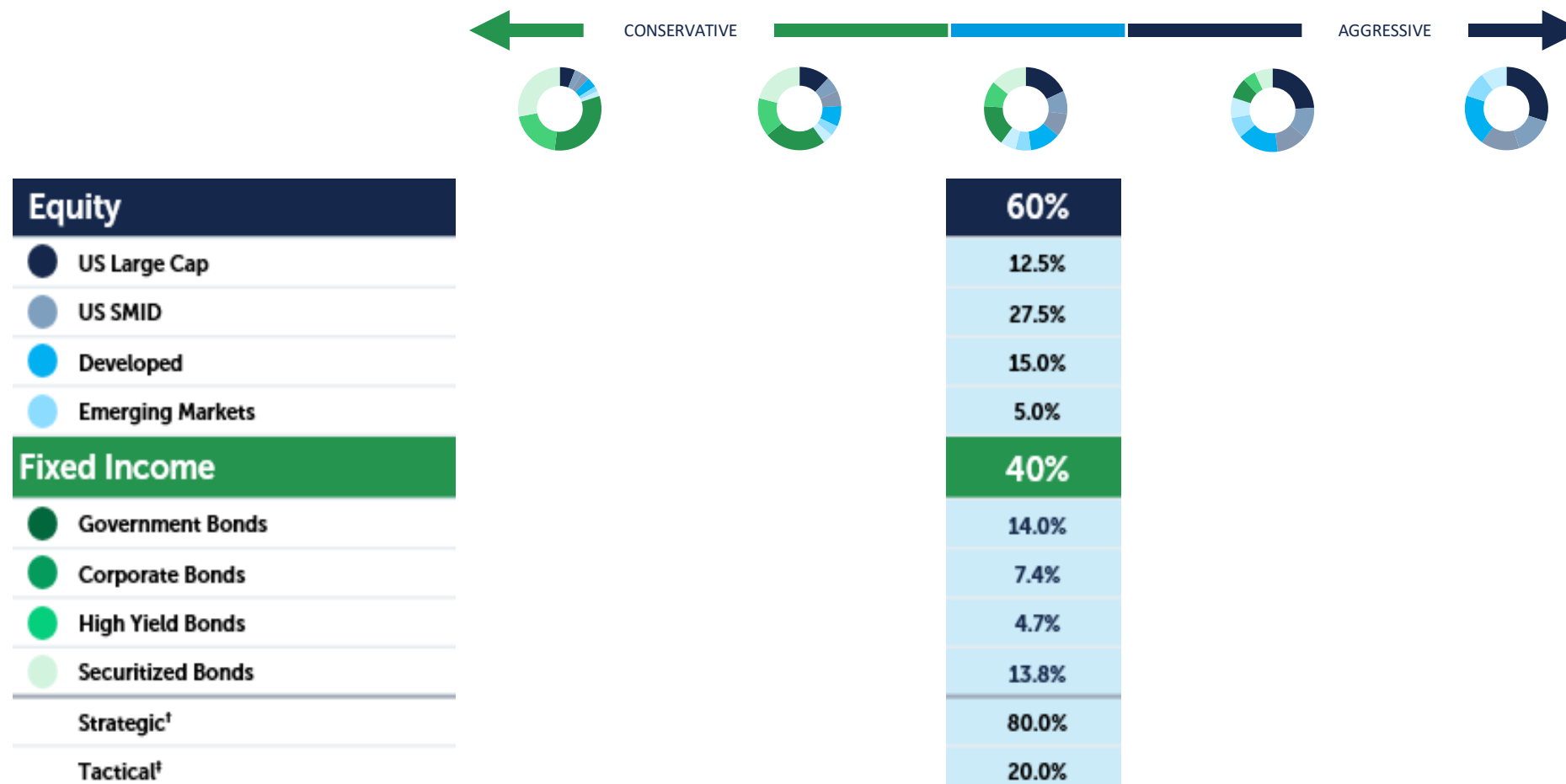
What we are doing:

- Diversifying stock portfolios
 - ✓ International
 - ✓ Mid and small cap
 - ✓ Value stocks
- Keeping our bonds
- Adding alternative assets where appropriate



Source: Bloomberg

Asset Allocation – September 2023



Source: OneAscent Investment Solutions. Represents target allocations as of 9/30/2023 and may not sum to 100% due to rounding.

[†] Strategic allocations represent a majority of the portfolio and are updated annually based on capital market assumptions. The strategic component of a portfolio is intended to provide the appropriate level of market exposure to stocks and bonds based on the intended risk-tolerance.

[‡] Tactical allocations represent a smaller portion of the portfolio and are updated quarterly based on an assessment of relative strength. The tactical component of a portfolio is intended to capitalize on near-term opportunities as the market environment changes.

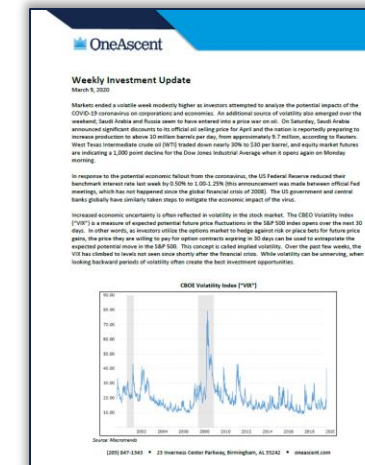
If you'd like to learn more about our solutions, visit us at investments.oneascent.com or email us at info@oneascent.com



Allocation Dashboard



Fact Sheets



Investment Commentary

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The strategy is not necessarily appropriate for any particular client or investor. Accordingly, any reader of the attached description should not interpret the attached as investment advice. All investments bear a risk of loss, including the loss of principal that the investor should be prepared to bear. The use of any chart or graph in the attached is not intended to be viewed as a singular aid in determining investment strategy. Such visual aids are instead intended as a complement to other data, and like such other data, should be considered in light of consultations with professional investment tax and legal advisors. Past performance may not be indicative of future results. No current or prospective client should assume that the future performance of any specific investment, investment strategy (including investments and/or investment strategies recommended by the adviser), will be equal to past performance levels. Indices are reported to give a point of comparison only. An investor may not invest directly in an index. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client’s investment portfolio.

Important Disclosures

Turnkey Model Performance:

Performance information for the attached strategy is calculated using model performance and is based on the portfolio allocation data since inception. The strategy has not materially changed since inception. Model performance is net of any fees on the underlying mutual funds and ETFs, management fees of any underlying model portfolios, and a strategist fee applied annually to the entire strategy. The model performance does not include any overlay fees, brokerage fees, or commissions. Performance for periods longer than a year has been annualized. Model performance means that while actual client accounts will be managed as closely to the model as possible, the performance reported is for the targeted portfolio allocations for the strategy and not a composite of actual client accounts. Accordingly, individual client performance may vary according to various factors, including fee arrangements, withdrawals, contributions, and tax considerations, among other factors. OneAscent does not control the fee amounts charged by recommending advisers. A complete listing of all trades in the model, as well as a full description of the model/strategy are available upon request.

Unless otherwise noted, the benchmark used for this strategy is a blend of four broad based market indices and benchmark performance is calculated by Morningstar. Blended benchmarks are rebalanced back to their target weights each calendar quarter. The four broad market indices are S&P 500, Russell 2500, MSCI ACWI ex USA, and Bloomberg Barclays US Aggregate Bond. The S&P 500 is a market cap-weighted index of the 500 largest U.S. publicly traded companies.. The Russell 2500 is a market cap-weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of U.S. companies. The MSCI ACWI ex USA (Morgan Stanley Capital International All Country World Index Ex-U.S.) is a market-cap weighted index designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The Bloomberg Barclays US Aggregate Bond is an index designed to provide a broad measure of the U.S. bond market and includes government securities, mortgage-backed securities (MBS), asset-backed securities (ABS), and corporate securities. Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index.

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